

VZCZCXRO6817  
OO RUEHBI RUEHCI RUEHDBU RUEHLH RUEHPW  
DE RUEHKA #0285 0820827  
ZNY CCCCC ZZH  
O 230827Z MAR 09  
FM AMEMBASSY DHAKA  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8477  
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY  
RUEHCP/AMEMBASSY COPENHAGEN PRIORITY 0079  
RUEHLO/AMEMBASSY LONDON PRIORITY 2036  
RUEHFR/AMEMBASSY PARIS PRIORITY 0060  
RUEHGO/AMEMBASSY RANGOON PRIORITY 2809  
RUEHUL/AMEMBASSY SEOUL PRIORITY 0359

C O N F I D E N T I A L DHAKA 000285

SIPDIS

E.O. 12958: DECL: 03/22/2019  
TAGS: [PREL](#) [PGOV](#) [ETRD](#) [ECON](#) [BG](#)  
SUBJECT: BANGLADESH COMMERCE MINISTER PROMISES NOT TO  
RESTRICT FOREIGN SHIPPING

REF: DHAKA 263

Classified By: Ambassador James F. Moriarty. Reasons: 1.4 (b) and (d)

-----  
SUMMARY  
-----

¶1. (C) Commerce Minister Faruq Khan promised Ambassador Moriarty that international shipping would not face restrictions in Bangladesh despite concerns the government was taking steps favoring domestic shippers. The minister also noted the Government of Bangladesh was considering several measures to help the economy weather the global economic storm. These steps included increasing subsidies for hard-hit industries and helping banks lower their interest rates.

-----  
KEEPING SHIPPING BUSINESS OPEN IN BANGLADESH  
-----

¶2. (C) Ambassador Moriarty on 3/19 told Commerce Minister Faruq Khan the USG was concerned about pending decisions that would disadvantage foreign shippers. The Ambassador noted that, for more than a decade, Danish, American, French and Korean shipping companies had run wholly-owned subsidiaries in Bangladesh. One proposal would require these wholly-owned foreign shipping agencies to sell a majority interest to Bangladeshi nationals; the other would require 40 percent of Bangladesh's exports to be shipped on Bangladesh-flagged vessels. The Ambassador had expressed similar concerns in a meeting a week earlier with Prime Minister Sheikh Hasina, who clearly understood that added shipping restrictions would bump up costs and make Bangladesh's exports less competitive. The Commerce Minister agreed, saying Bangladesh did not want to create any barriers to trade.

¶3. (C) Khan assured the Ambassador that any shipping line could move goods in or out of Bangladesh. He said exporters would not need to pay fees to get waivers to ship their goods on non-Bangladesh-flagged vessels. "Any shipping line can compete," he said. Further, the Minister said he knew of no law that required foreign shipping companies to enter into minority joint ventures with Bangladeshi shipping firms. He promised to follow up, particularly with the National Board of Revenue, which has been at the forefront of promoting the joint ventures. (Note: U.S. shipping firm APL already operates independently in Bangladesh. End note.)

-----  
BANGLADESH CONSIDERS STIMULUS MEASURES  
-----

¶4. (C) In response to a query from the Ambassador, Khan

confirmed formation of a task force under the Finance Ministry to propose measures to ward off the deleterious effects of the global economic crisis. One possibility would be to increase subsidies to the hardest-hit export sectors, such as shrimp and jute. Another possibility would be to bring down bank interest rates, perhaps by lowering banks' capital reserve requirements. He said the government would like to see interest rates decline from 14-15 percent to about 12 percent.

15. (SBU) Khan said Bangladeshi exports appeared to be weathering the global downturn and were up 4 percent in February from a year earlier. A decline in jute and shrimp exports was offset by a rise in ready-made garments, which is Bangladesh's most important export. He attributed the strong garment sector to consumers moving from high-end clothing to the cheaper goods churned out by Bangladeshi factories.

-----  
COMMENT  
-----

16. (C) While Bangladesh's garment exports held firm during the first two months of 2009, industry sources warn that sales are dropping quickly now; these sources predict exports over the next few months will be down 15 percent from a year earlier. In this context, proposals that would make shipping from Bangladesh more expensive are particularly ill-timed.  
MORIARTY